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Argyll and Bute Council Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
Executive Director: Douglas Hendry



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9 December 2016

SUPPLEMENTARY PACK 1

**POLICY AND RESOURCES COMMITTEE - COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD on THURSDAY, 15 DECEMBER 2016 at 11:00 AM**

I enclose herewith **item9 (Big Lottery Fund Contract)** which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director of Customer Services

ITEM TO FOLLOW

- 9. BIG LOTTERY FUND CONTRACT** (Pages 1 - 8)
Report by Executive Director – Customer Services

Policy and Resources Committee

Councillor Dick Walsh (Chair)	Councillor Rory Colville
Councillor Robin Currie	Councillor Mary-Jean Devon
Councillor Kieron Green	Councillor Roderick McCuish
Councillor Iain MacLean	Councillor Alistair MacDougall
Councillor Neil MacIntyre	Councillor Aileen Morton
Councillor Ellen Morton (Vice-Chair)	Councillor Gary Mulvaney
Councillor James Robb	Councillor Len Scoullar
Councillor Isobel Strong	Councillor Sandy Taylor

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ARGYLL AND BUTE COUNCIL**POLICY & RESOURCES****CUSTOMER SERVICES****15 DECEMBER 2016**

BIG LOTTERY FUND CONTRACT

1.0 EXECUTIVE SUMMARY

- 1.1 The Council has submitted a bid for financial inclusion services to the Big Lottery Fund in partnership with 8 other local bodies. The contract is worth up to £3.77m for the Argyll and Bute lot. The tender closed on 7 November 2016 at 12 noon and is due to be awarded in January 2017.
- 1.2 If its bid is successful, the council will do all billing and payment to our sub-contractors and 10% of the contract is provided to fund these operational costs. Service delivery will be primarily through our partners, with a small amount of services delivered by Adult Learning and Literacy. Back to back contracts will be required with our sub-contractors.
- 1.3 The risk to the council will be limited by the back to back contracts with subcontractors who will be responsible for providing the bulk of services. The subcontractors will be responsible for ensuring ESF requirements are met in checking eligibility of participants and that they maintain appropriate records for supporting payment claims. The Council is exposed for this risk only for the services delivered by Adult Learning and Literacy (expected to be circa £45,000), and in meeting the criteria for acceptance of the final version of the final report.
- 1.4 Policy and Resources Committee is asked to:
 - (a) note a bid has been lodged with the Big Lottery Fund for financial inclusion services and if successful the contract would be awarded early January 2016.
 - (b) note that the financial exposure to the Council is limited to the value of the support services delivered by the Council's Adult Learning and Literacy team, circa £45,000, in addition to a small portion of the operational costs in meeting the criteria for acceptance of the final version of the final report.
 - (c) note that arrangements will be put in place for back to back contracts to be created and signed by subcontracts should the bid be successful. This would transfer the financial risks on delivering the outcomes onto the subcontractors, with the exception of the small amount of services that will be delivered by Adult Learning and Literacy.

BIG LOTTERY FUND CONTRACT

2.0 INTRODUCTION

2.1 The Big Lottery Fund has gone out to tender for Financial Inclusion services for five areas across Scotland, one of which is Argyll and Bute. The estimated contract value for the Argyll and Bute lot is £3.75m including VAT. The contract would run from February 2017 to February 2020 with a further 6 months for wrap up. The council has submitted a bid along with a number of its community planning partners. If successful, the contract would be awarded in January 2017. Policy & Resources Committee is asked to formally approve this bid and the arrangements with sub-contractors should the bid be successful.

3.0 RECOMMENDATIONS

3.1 Committee to note a bid has been lodged with the Big Lottery Fund for financial inclusion services and if successful the contract would be awarded early January 2016.

3.2 Committee to note that the financial exposure to the Council is limited to the value of the support services delivered by the Council's Adult Learning and Literacy team, circa £45,000, in addition to a small portion of the operational costs in meeting the criteria for acceptance of the final version of the final report.

3.3 Committee to note that arrangements will be put in place for back to back contracts to be created and signed by subcontracts should the bid be successful. This would transfer the financial risks on delivering the outcomes onto the subcontractors, with the exception of the small amount of services that will be delivered by Adult Learning and Literacy.

4.0 DETAIL

4.1 The Big Lottery Fund (BLF) issued the invitation to tender on 30 September 2016 with a return deadline of Monday 7 November at 12 noon. The Council has submitted a response for the Argyll and Bute lot naming Argyll and Bute Citizens Advice Bureau, Argyll Community Housing Association, Argyll Net Works (comprising Fyne Homes, Dunbritton Housing Association and West Highland Housing Association), Allenergy, Bute Advice Centre, Carr Gomm, HELP and HART as sub-contractors. The following services will be offered to eligible participants:

- Debt Advice (CAB and Bute Advice)
- Money Management (CAB, ACHA, Argyll Networks, Carr Gomm, KYES, HELP)

- Money Advice (CAB)
- Income Maximisation (CAB, ACHA, Allenergy, Argyll Networks, Carr Gomm, KYES, HELP)
- Digital Inclusion (Council, HELP)
- Fuel poverty (Allenergy)

4.2 This contract will benefit the citizens of Argyll and Bute by providing them with financial inclusion services which would not otherwise be available. In particular, this is the first time that the various partners will have worked together in this way to provide a holistic, person-centred service providing all the elements of assistance with fuel poverty, money management skills, debt advice and assistance, income maximisation and digital inclusion. Funding will be used by the various agencies to employ additional staff and to assist many people who would otherwise not receive any help and continue to struggle. This is particularly important to our area as we have one of the highest rates of fuel poverty, and also in view of reducing welfare funding which is increasing in-work poverty. Research has shown clearly that people do not actively seek assistance until they reach crisis point. The mix of services being offered, particularly through fuel poverty advice which has much less stigma, allows us to reach out earlier, to help people before they get to crisis point.

4.3 The maximum contract value is £3.77m and this is split into three categories: operational costs, support costs and key performance indicators. The split per category is noted in the table below.

COSTS	£	% OF TOTAL CONTRACT COST
OPERATIONAL COSTS	377,000	10%
SUPPORT COSTS	3,016,000	80%
KPI PAYMENTS	377,000	10%
TOTAL COSTS	3,770,000	100%

4.4 The table below outlines the minimum target for the tender alongside the targets agreed with the partners for what would be deliverable across Argyll and Bute. It is envisaged that partners will be able to over perform these targets and hence reduces the overall risk that the partners bear.

CATEGORY	MIN. NO. OF ELIGIBLE PARTICIPANTS (EP)		CONTRACT OUTCOME 1: EP with improved money management skills		CONTRACT OUTCOME 2: Min. No. of EP no longer affected by debt as a barrier to social inclusion	
	Male	Female	Male	Female	Male	Female
MINIMUM TARGET PER TENDER	694	848	308	375	154	188
TARGET OF PARTNERSHIP	707	864	373	423	154	196
DIFFERENCE - OVER/(UNDER) TARGET	13	16	65	48	0	8

Contractual arrangements

- 4.5 As noted above, 10% of the contract value is available as operational costs. These will be used to fund two posts – a contract manager and a financial inclusion co-ordinator. These will be employed by the council and they will then be responsible for ensuring that all contractual requirements are met by the council and its subcontractors. They will do the billing to BLF when the contractual milestones have been met and retain the requisite backup and evidence. In view of the financial skills required by the contract manager, it is proposed that these two key posts of contract manager and financial inclusion co-ordinator are located within Strategic Finance.
- 4.6 The Council will retain all payments for operational costs to cover the two posts identified above, cost of publicity materials and systems costs. Up to 50% of the operational costs will be paid to the successful contractor as a set up payment. This should amount to c. £187,000. A portion (not yet specified) of the operational costs is payable on delivery of the final report (final version) with the remainder being paid in equal quarterly payments throughout the 3.5 year term.
- 4.7 Payments for services delivered, referred to as support costs in the table at paragraph 4.3, will only be received when (1) 50% of action plans have been completed and (2) when 100% of action plans have been completed. Service providers have to provide evidence to the BLF that the milestones for unit costs have been achieved. Service providers shall invoice BLF for the unit costs which have been approved by BLF on a quarterly basis. This means that there will be some considerable delay between delivery of services and receipt of payment – potentially up to 6 months. All support activity must be completed by 19 February 2020. Eligible participants must be monitored six months after receiving their support. During the final 6 months, service providers will submit final payment claims, Final Report and impact measurement activities.
- 4.8 In addition, 10% of the contract value (approx. £377,000) is payable on achievement of designated key performance indicators (KPIs). This is in addition to the unit costs and operational costs. It is the responsibility of the contract manager and the financial inclusion co-ordinator to ensure that these targets are met by the contract as a whole, working closely with the subcontractors. It is expected that these targets would only be met towards the end of the contract and, with invoicing being quarterly in arrears, it will only be payable after all support has been delivered.
- 4.9 The council will require to sign back to back contracts with its subcontractors should we be successful in our bid. Each partner has agreed an expected contract value for them based on estimated numbers and the agreed common unit cost for each service. If partners are struggling to meet their quotas, the contract manager may assist them in re-allocating parts of their quotas to other partners who are finding it easier to attract eligible participants. Such reallocations may occur on a quarterly basis.
- 4.10 Partners have indicated that, as their costs are largely fixed in terms of staffing, provided their income meets the anticipated levels, they may well have additional capacity to carry out more interventions without requiring additional income for

these. Partners will be encouraged to overperform and hence meet targets earlier, reducing any risk of not meeting the agreed targets.

Risk

- 4.11 The risk to the council will be limited by the back to back contracts with subcontractors who will be responsible for providing the bulk of services. The subcontractors will be responsible for ensuring ESF requirements are met in checking eligibility of participants and that they maintain appropriate records for supporting payment claims. The Council is exposed for this risk only for the services delivered by Adult Learning and Literacy (expected to be circa £45,000), and in meeting the criteria for acceptance of the final version of the final report.
- 4.12 A full risk register is attached at Appendix 1. Risks will be carefully monitored by the project board which will be responsible for monitoring the contract throughout its life. These will be reviewed and updated at each meeting of the board.

5.0 CONCLUSION

- 5.1 Policy and Resources Committee is asked to approve the bid to the Big Lottery Fund for delivery of financial inclusion services and associated arrangements described in this report.

6.0 IMPLICATIONS

- 5.1 Policy: Will contribute to LOIP through mitigating financial exclusion.
- 5.2 Financial: All Council costs should be covered by the operational costs total of up to £377k.
- 4.3 Legal: Back to back contracts required with subcontractors if council led bid is successful.
- 4.4 HR: Two temporary posts would be created for just over 3 years and these posts will manage these proposed arrangements.
- 4.5 Equalities: None.
- 4.6 Risk: Modest risk to council which can be well managed. Financial risk to partners if action plans are not completed and therefore billing not possible. Risk register attached at Appendix 1.
- 4.7 Customer Service: Will provide high quality joined up services across Argyll and Bute.

Appendices

Appendix 1: Risk register

Douglas Hendry
Executive Director Customer Services

Kirsty Flanagan
Head of Strategic Finance

9 December 2016

For further information please contact Judy Orr, Head of Customer and Support Services Tel 01586-555280 or Fergus Walker, Revenues and Benefits Manager Tel 01586-555237

Appendix 1: Risk Register

Description	Prob (low 1- high 3)	Impact (low 1- high 3)	Value (1-9)	Action to mitigate risk
KPI Risks				
KPI 1: Risk of not meeting the target numbers of eligible participants engaged/reached through the service provider's engagement and promotional activities [not payment related]	2	1	2	Able to transfer quotas between partners. Progress will be reviewed and reported monthly. Additional engagement activities can be scheduled if required.
KPI 2: Risk of not meeting the target numbers of eligible participants that sign up to a bespoke Action Plan [not payment related]	2	3	6	Costs for partners are largely staff costs and so they should have capacity to over perform. Progress will be reviewed and reported monthly. If necessary, those not performing will be encouraged to transfer quotas to those who are able to over perform.
KPI 3: Risk of not meeting the target numbers of eligible participants that complete all activities in their Action Plan (must not be below the minimum targets M = 694; F = 848; Total = 1542) [payment related = 2% of the total contract value]	1	3	3	The FIC will support the claimant throughout their journey. The delivery partners hold the customer's hand and take them to different engagements and meetings with other service providers to ensure they get the support they need. They will also ensure that customer feedback and learning is gathered and the experience improved throughout the contract term.
KPI 4: Risk of not meeting the target numbers of eligible participants that have increased money management skills (6 months after support) (must not be below the minimum targets M = 308; F = 375; Total = 683 (44.3% of total)) [payment related = 4% of contract value]	1	3	3	We recognise this is a particular risk as many clients are reluctant to engage in money management as they feel this is something they should already have the skills for. Key mitigation is the handholding of clients into this activity having already built up trust through other services such as income maximisation or fuel poverty advice. Having already built up trust reduces the level of risk.
KPI 5: Risk of not meeting the target numbers of eligible participants no longer affected by debt as a barrier to social inclusion (6 months after support) (must not be below minimum target levels M = 154; F = 188; Total = 342 (22% of total) [payment related = 4% of contract value].	1	3	3	Clients are generally very willing to engage in dealing with their debt once trust has been built up. CAB and Bute Advice have excellent reputations in our area. All other referral partners will hand over their clients in a way which will ensure we do not lose their engagement; The role of FIC is to ensure this works in all cases.
KPI 6: Risk of not meeting the target numbers for Eligible participant satisfaction levels (1-5 where 1 = poor and 5 means excellent)	2	1	2	Satisfaction will be carefully monitored and improvements can be put in place as and when required.
Other Risks				
Risk of partners failing to maintain audit records which support invoice claims	1	3	3	Contract manager will undertake regular reviews with partners to ensure proper records are retained. Expert advice will be provided by Council's European Team. Back to back contracts

Description	Prob (low 1- high 3)	Impact (low 1- high 3)	Value (1-9)	Action to mitigate risk
				with partners will pass on all risk associated with this to partners.
Risk of failure to comply with ESF requirements	1	3	3	Contract manager will undertake regular reviews with partners to ensure proper records are retained. Expert advice will be provided by Council's European Team. Back to back contracts with partners will pass on all risk associated with this to partners.
Risk of failure to meet BLF's contractual conditions including committing a material breach	1	3	3	Contract manager will undertake regular reviews with partners to ensure that all CLF contractual conditions are met throughout contract term. Back to back contracts with partners will pass on all risk associated with this to partners.
Reputational risk to council if we fail to deliver contract successfully	1	3	3	Close contract management throughout contract period. Contract has detailed provisions for handling of all publicity and media coverage relating to contract.
Risk of partner going into liquidation during contract term and being unable to deliver services	1	3	3	All partners have had to complete ESPD details which shows financial solvency. Breadth of partnership will allow another partner to take on provision of the services where necessary. Only one service (fuel poverty) has single service provider shown. However council and other partners have some skills in this area. Also contract allows new sub-contractors to be added with agreement from BLF.